

**TINTIC SCHOOL DISTRICT**

**Financial Statements**

**Year Ended June 30, 2005**

**TINTIC SCHOOL DISTRICT**  
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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Tintic School District

November 8, 2005

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tintic School District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

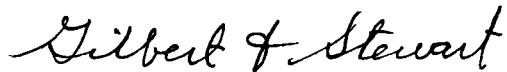
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tintic School District as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis which follows this report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.



GILBERT & STEWART  
Certified Public Accountants

## Management's Discussion and Analysis

As management of Tintic School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2005. We encourage readers to consider the information presented here in conjunction with this report and the District's financial statements, which follow this section.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 9 through 10 of this report.

#### Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, *capital projects fund*, and *debt service fund*, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund statements can be found on pages 11 to 16 of this report.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The District uses a fiduciary fund to account for resources held for other groups. The basic fiduciary fund financial statement can be found on page 39 of this report.

#### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 17 to 29 of this report.

#### **Other Information**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 30 to 35 of this report.

#### **Government-Wide Financial Analysis (full accrual basis of accounting)**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,017,142 at June 30, 2005.

## TINTIC SCHOOL DISTRICT NET ASSETS

	<u>Governmental</u>	
	<u>2005</u>	<u>2004</u>
Current and other assets	\$1,801,715	\$1,837,051
Capital assets	<u>3,717,282</u>	<u>4,017,612</u>
Total assets	<u>\$5,518,997</u>	<u>\$5,854,663</u>
Current and other liabilities	\$ 474,962	\$ 446,690
Noncurrent liabilities	<u>1,026,893</u>	<u>1,135,807</u>
Total liabilities	<u>\$1,501,855</u>	<u>\$1,582,497</u>
Net assets:		
Invested in capital assets		
Net of related debt	\$3,051,382	\$3,325,612
Restricted	327,614	395,862
Unrestricted	<u>638,146</u>	<u>550,692</u>
	<u>\$4,017,142</u>	<u>\$4,272,166</u>

The largest portion of the District's net assets (76%) reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net assets (8%) represent resources that are subject to external restrictions on how they may be used. The remainder of net assets (16%) may be used to meet the District's ongoing obligations to students, employees, and creditors. However, the unrestricted net asset amount has been earmarked for the following purposes:

- **Designation for Undistributed Reserve**

As allowed by law, the District has established an *undistributed reserve* of \$50,000 of general fund budgeted revenues within the general fund which is set aside for contingencies or possible reductions in state funding and not to be used in negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in the District's bond rating of AAA (Underlying Rating: Baa1) given by Moody's Investor Service.

As of June 30, 2005, the District is able to report positive balances in all three categories of net asset, both for the District as a whole and for its separate governmental activities. The same situation held true for the prior fiscal period.



## TINTIC SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 84,708	\$ 33,334
Operating Grants and Contributions	1,835,345	
General revenues:		
Property taxes	270,139	265,323
Federal and state aid not restricted to specific purposes	1,359,327	3,378,100
Earnings on investments	30,710	21,660
Miscellaneous	0	123,852
Total revenues	<u>3,580,229</u>	<u>3,822,269</u>
Expenses:		
Instruction	2,370,623	2,476,355
Support services:		
Students	81,530	63,070
Instructional staff	181,956	196,842
District administration	217,021	204,511
School administration	259,179	171,294
Business and central	74,366	69,787
Operation & maintenance of plant	361,727	393,980
Transportation	135,557	161,160
School lunch services	125,892	121,793
Interest on long-term liabilities	28,497	35,773
Total expenses	<u>3,836,348</u>	<u>3,897,565</u>
Changes in net assets	( 256,119)	(75,296)
Net assets, beginning	<u>4,273,261</u>	<u>4,347,462</u>
Net assets, ending	<u>\$ 4,017,142</u>	<u>\$4,272,166</u>

### Financial Analysis of the District's Funds (modified accrual basis)

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between designated balances and

undesignated balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities that are not recognized in the governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

The **general fund** is the chief operating fund of the District. At June 30, 2005, unreserved and undesignated fund balance was \$533,121 while the total fund balance was \$994,643. The unreserved and undesignated fund balance decreased by \$66,533 while the total fund balance increased by \$5,137 during the fiscal year. Annual expenditures in the general fund were \$186,236 less than the final budgeted amounts, and resources available for appropriation were \$145,315 more than final budgeted amounts.

The **debt service fund** has a total fund balance of \$111,370, of which it is all reserved for debt payments. The fund balance increased by \$33,759 during the year.

The **capital projects fund** has a total fund balance of \$211,237 of which all is reserved for acquisition of capital assets and related expenditures. The fund balance decreased by \$31,488 during the fiscal year.

The **non K-12 programs special revenue fund** has a total fund balance of \$16,288. This fund balance is within the total allowed by the state guidelines and is restricted to non-kindergarten through twelfth grade programs and other community programs. The fund balance decreased by \$12,614 during the fiscal year.

The **school lunch special revenue fund** has a total fund deficit of (\$38,598). This balance is within the total allowed by state guidelines and is restricted to food service programs. The fund balance decreased by \$27,145 during the fiscal year.

## **Capital Assets and Debt Administration**

### **A. Capital Assets**

The capital projects fund is used primarily to account for costs incurred in acquiring, maintaining, and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

The primary class of capital assets used by the District to provide educational services to the public is school buildings. The District continually evaluates the cost efficiency of its buildings as part of its on-going capital improvements plan.

Capital assets at June 30, are outlined below:

**TINTIC SCHOOL DISTRICT'S CAPITAL ASSETS**  
(net of accumulated depreciation)

	<u>2005</u>	<u>2004</u>
Land and buildings	\$3,100,547	\$3,312,697
Furniture and equipment	465,244	669,365
Autos & Buses	<u>151,491</u>	<u>164,720</u>
	<u>\$3,717,282</u>	<u>\$4,146,782</u>

**B. Debt administration**

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 was \$1,015,826 while the general obligation debt at that date was \$622,000, resulting in a legal debt margin of \$393,826. This debt was reduced by principal payments of \$70,000 during the fiscal year.

Additional information on the District's long-term liabilities can be found in Note 7 to the basic financial statements.

**Requests for Information**

This financial report is designed to provide a general overview of Tintic School District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions concerning this report or need additional financial information, please contact the Office of the Business Administrator, Tintic School District, Eureka, Utah 84628.

## **BASIC FINANCIAL STATEMENTS**

**TINTIC SCHOOL DISTRICT****Statement of Net Assets**

June 30, 2005

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 1,340,207
Receivables:	
Property taxes	262,784
Other	188,769
Inventories	5,416
Bond issuance costs, net	4,539
Capital assets:	
Capital assets, net of accumulated depreciation	3,717,282
<b>Total assets</b>	<b>5,518,997</b>
<b>Liabilities:</b>	
Accounts payable	32,240
Accrued interest	959
Accrued salaries	187,597
Deferred revenue:	
Property taxes	251,664
Local sources	2,502
Noncurrent liabilities:	
Due within one year	387,989
Due in more than one year	638,904
<b>Total liabilities</b>	<b>1,501,855</b>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	3,051,382
Restricted for:	
School lunch	(38,598)
Non K-12 programs	16,288
Foundation	28,233
Debt service	110,454
Capital projects	211,237
Unrestricted	638,146
<b>Total net assets</b>	<b>\$ 4,017,142</b>

*The notes to the financial statements are an integral part of this statement.*

**TINTIC SCHOOL DISTRICT**  
**Statement of Activities**  
Year Ended June 30, 2005

Functions	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instructional services	\$ 2,370,623	\$ 73,106	\$ 1,470,771	\$ -	\$ (826,746)
Supporting services:					
Students	81,530	-	47,362	-	(34,168)
Instructional staff	181,956	2,632	25,393	-	(153,931)
District administration	217,021	-	115,646	-	(101,375)
School administration	259,179	-	-	-	(259,179)
Business	74,366	-	-	-	(74,366)
Operation and maintenance of facilities	361,727	-	-	-	(361,727)
Transportation	135,557	-	105,231	-	(30,326)
School lunch services	125,892	8,970	70,942	-	(45,980)
Interest on long-term liabilities	28,497	-	-	-	(28,497)
Total school district	<u>\$ 3,836,348</u>	<u>\$ 84,708</u>	<u>\$ 1,835,345</u>	<u>\$ -</u>	<u>(1,916,295)</u>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes					120,613
Recreation					469
Debt service					127,797
Capital outlay					21,260
Federal and state aid not restricted to specific purposes					1,359,327
Earnings on investments					30,710
Total general revenues					<u>1,660,176</u>
Change in net assets					(256,119)
Net assets - beginning					<u>4,273,261</u>
Net assets - ending					<u>\$ 4,017,142</u>

The notes to the financial statements are an integral part of this statement.

**TINTIC SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2005

	<b>Major Funds</b>			<b>Other</b>	<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>Assets:</b>					
Cash and investments	\$ 982,612	\$ 106,109	\$ 210,362	\$ 41,124	\$ 1,340,207
Receivables:					
Property taxes	118,072	123,016	21,229	467	262,784
Other receivables	185,391	-	-	3,378	188,769
Due from other funds	38,768	-	-	-	38,768
Inventory	200	-	-	5,216	5,416
<b>Total assets</b>	<b>\$ 1,325,043</b>	<b>\$ 229,125</b>	<b>\$ 231,591</b>	<b>\$ 50,185</b>	<b>\$ 1,835,944</b>
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 29,696	\$ -	\$ -	\$ 2,544	\$ 32,240
Accrued salaries	187,597	-	-	-	187,597
Deferred revenue:					
Property taxes	113,107	117,755	20,354	448	251,664
USDA Commodities	-	-	-	2,502	2,502
Due to other funds	-	-	-	38,768	38,768
<b>Total liabilities</b>	<b>330,400</b>	<b>117,755</b>	<b>20,354</b>	<b>44,262</b>	<b>512,771</b>
<b>Fund Balances:</b>					
Reserved for:					
Commitments	200	-	-	-	200
Debt service	-	111,370	-	-	111,370
Designated for:					
Undistributed reserve	50,000	-	-	-	50,000
Schools	411,322	-	-	30,946	442,268
Undesignated, reported in:					
General fund	533,121	-	-	-	533,121
Capital projects fund	-	-	211,237	-	211,237
Special revenue funds	-	-	-	(25,023)	(25,023)
<b>Total fund balances</b>	<b>994,643</b>	<b>111,370</b>	<b>211,237</b>	<b>5,923</b>	<b>1,323,173</b>
<b>Total liabilities and fund     balances</b>	<b>\$ 1,325,043</b>	<b>\$ 229,125</b>	<b>\$ 231,591</b>	<b>\$ 50,185</b>	<b>\$ 1,835,944</b>

*The notes to the financial statements are an integral part of this statement.*

**TINTIC SCHOOL DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
June 30, 2005

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**Total fund balances for governmental funds** **\$ 1,323,173**

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Buildings and improvements, net of \$4,471,265 accumulated depreciation	3,100,547	
Furniture and equipment, net of \$802,163 accumulated depreciation	465,244	
Autos & Buses, net of \$326,008 accumulated depreciation	151,491	3,717,282

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$916 and accrued interest for obligations under capital leases is \$43. (959)

Bond issuance costs are reported as expenditures in the governmental funds. The cost is \$5,675 and accumulated amortization is \$1,136. 4,539

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

Bonds payable	(622,000)	
Obligations under capital leases	(43,900)	
Accrued Vacations	(235,775)	
Early retirement payable	(125,218)	(1,026,893)

**Total net assets of governmental activities** **\$ 4,017,142**



**TINTIC SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2005**

	<b>Major Funds</b>			<b>Other</b>	<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>Revenues:</b>					
Property taxes	\$ 120,613	\$ 127,797	\$ 21,260	\$ 469	\$ 270,139
Earnings on investments	30,075	-	-	635	30,710
School lunch sales	-	-	-	8,970	8,970
Other local sources	73,106	-	-	2,632	75,738
State aid	2,781,449	-	72,651	28,500	2,882,600
Federal aid	243,963	-	-	68,108	312,071
Total revenues	<u>3,249,206</u>	<u>127,797</u>	<u>93,911</u>	<u>109,314</u>	<u>3,580,228</u>
<b>Expenditures:</b>					
Current:					
Instructional services	2,044,257	-	-	59,412	2,103,669
Supporting services:					
Students	81,530	-	-	-	81,530
Instructional staff	181,956	-	-	-	181,956
District administration	207,885	-	-	-	207,885
School administration	185,534	-	-	-	185,534
Business	73,868	-	-	-	73,868
Operation and maintenance of facilities	345,038	-	-	-	345,038
Transportation	124,001	-	-	-	124,001
School lunch services	-	-	-	120,488	120,488
Capital outlay	-	-	49,262	-	49,262
Debt service:					
Principal retirement	-	70,000	73,205	-	143,205
Interest and fiscal charges	-	24,038	2,932	-	26,970
Total expenditures	<u>3,244,069</u>	<u>94,038</u>	<u>125,399</u>	<u>179,900</u>	<u>3,643,406</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,137</u>	<u>33,759</u>	<u>(31,488)</u>	<u>(70,586)</u>	<u>(63,178)</u>
Net change in fund balances	5,137	33,759	(31,488)	(70,586)	(63,178)
Fund balances - beginning	989,506	77,611	242,725	76,509	1,386,351
Fund balances - ending	<u>\$ 994,643</u>	<u>\$ 111,370</u>	<u>\$ 211,237</u>	<u>\$ 5,923</u>	<u>\$ 1,323,173</u>

*The notes to the financial statements are an integral part of this statement.*

**TINTIC SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Government Funds to the Statement of Activities**  
**Year Ended June 30, 2005**

Net change in fund balances-total governmental funds	\$	(63,178)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$500 for furniture and equipment and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 71,018		
Depreciation expense	<u>(371,347)</u>		(300,328)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

Interest expense - capital leases	(959)		
Principal payments of capital leases	<u>73,205</u>		72,246

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	70,000		
Amortization of bond issuance costs	<u>(568)</u>		69,432

In the statement of activities, certain operating expenses - compensated absences (vacations), special termination benefits (early retirement) and claims (arbitrage rebates) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, accrued vacation increased by \$68,699 and early retirement payable decreased by \$34,408.

(34,291)

Change in net assets of governmental activities	\$	<u>(256,119)</u>
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**TINTIC SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Property taxes	\$ 84,768	\$ 88,313	\$ 120,613	\$ 32,300
Earnings on investments	19,250	30,100	30,050	(50)
Other local sources	44,828	108,464	73,106	(35,358)
State aid	2,827,224	2,714,231	2,781,449	67,218
Federal aid	133,512	162,758	243,963	81,205
Total revenues	3,109,582	3,103,866	3,249,181	145,315
<b>Expenditures:</b>				
Current:				
Instructional services	2,187,630	2,174,630	2,044,257	130,373
Supporting services:				
Students	67,925	78,675	81,530	(2,855)
Instructional staff	193,725	200,625	181,956	18,669
District administration	205,500	210,530	207,885	2,645
School administration	194,000	185,600	185,534	66
Business	76,365	74,800	73,868	932
Operation and maintenance of facilities	355,550	374,250	345,038	29,212
Transportation	150,175	131,195	124,001	7,194
Total expenditures	3,430,870	3,430,305	3,244,069	186,236
Excess of revenues over expenditures	(321,288)	(326,439)	5,112	331,551
Net change in fund balances	(321,288)	(326,439)	5,112	331,551
Fund balances - beginning	898,506	989,506	989,506	-
Fund balances - ending	\$ 577,218	\$ 663,067	\$ 994,618	\$ 331,551

*The notes to the financial statements are an integral part of this statement.*

**TINTIC SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets**  
**Agency Fund**  
**June 30, 2005**

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	<u><b>Student Activities Fund</b></u>
<b>Assets:</b>	
Cash and investments	<u>\$     72,151</u>
<b>Liabilities</b>	
Due to student groups	<u><u>\$     72,151</u></u>

*The notes to the financial statements are an integral part of this statement.*

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Tintic School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant accounting policies of the District are described below.

- **Reporting Entity** - The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements present the District. The District is not a component unit of any other primary government.

**Government-wide and fund financial statements** – The *government-wide financial statements* (i.e., the statement of net assets and the statement of changes in net assets) display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instructional, school administration, operation and maintenance of facilities, and school lunch services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocation that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line.

Program revenues include 1) fees and charges paid by students and other recipients of goods or services, offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**1. SUMMARY (CONTINUED)**

The *fund financial statements* provide information about the District's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental fund:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *debt service fund* accounts for resources accumulated and payments made for principal and interest on general obligation school building bonds.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

Additionally, the District reports the following fund type:

- The *student activities agency fund (a fiduciary fund)* accounts for assets held on behalf of student groups and others.

**Measurement focus, basis of accounting, and financial statement presentation** – The *government-wide and fiduciary fund financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual.

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and post-employment healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

- During June of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30<sup>th</sup>.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.

If the District does not exceed the certified tax rate, a public hearing is held prior to June 22nd at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the tax rates.

- Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2005, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenue variances will be negative, and overall fund expenditure variances will be positive.

**Deposits and Investments** – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

**Cash and Cash Equivalents** – The District considers cash and cash equivalents in funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Pool (PTIF).

**Receivables and Payables** – Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans).

**Inventories** – Inventories are valued at cost or, if donated, at fair value when received, using the moving average method. The consumption method of accounting is applied to the inventories of all funds.

Inventories of donated United States Department of Agriculture (USDA) commodities on hand at year-end are reported on the balance sheet at fair market value on the date received as inventory. Commodities used during the year are reported as revenue and expenditure on the operating statement.

**Capital Assets** – Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$500 for land, furniture and equipment and \$100,000 for buildings and improvements and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended asset lives are not capitalized.



**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	30
Furniture	10-20
Machinery and Equipment	3-10
Buses	10
Lunch Equipment	8-15
Musical Instruments	8-10
Licensed Vehicles	10
Computers	5-8
Audio Video Equipment	5-8

**Compensated Absences** – Under terms of association agreements, twelve-month or full-year employees earn sick leave in amounts varying with tenure and classification. In the event of termination or death, an employee is reimbursed for accumulated sick days to a maximum of 20 days.

All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds if they have matured.

**Long-term Obligations** – In the government-wide financial statements and internal service fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

*A. Deposits*

**Deposits – Custodial Credit Risk** – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. District funds are deposited in qualified depositories as defined by the Act. The District does not have a deposit policy for custodial credit risk. As of June 30, 2005, the District's custodial credit risk for deposits were as follows:

<u>Depository Account</u>	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2005</u>
Regular Checking Account	Insured	\$ 100,000
Regular Checking Account	Uninsured and uncollateralized	28,767
Savings Account	Insured	100,000
Savings and Other Deposits	Uninsured and uncollateralized	48,037
		<u>\$ 276,804</u>

*B. Investments*

The District's investments are managed through participation in the State Public Treasurer's Investment Fund. As of June 30, 2005, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Utah Public Treasurers' Investment Fund	57 days average	<u>\$1,133,913</u>

**Investments – Interest Rate Risk** – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance to the Utah Money Management Act which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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*Investments – Credit Risk* – The District follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-trade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah. The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The underlying securities are unrated. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The District has no investment policy that would further limit its investment choices.

*Investments – Custodial Credit Risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's entire \$1,133,913 of underlying securities are held by the investment's counterparty, not in the name of the District, and are not insured. The District does not have an investment policy for custodial credit risk.

### **3. PROPERTY TAXES**

The property tax revenue of the District is collected and distributed by the Utah County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%. The interest rate period is from January 1 until the date paid.

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

Beginning January 1, 1992, an annual uniform fee based on the value of motor vehicles was levied in lieu of an ad valorem tax on motor vehicles. This uniform fee was 1.5% of the fair market value statewide value of the property, as established by the State Tax Commission. Effective January 1, 1999, legislation required motor vehicles be subject to an "age-based" fee that is due each time a vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when the County collects it.

As of June 30, 2005, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2005 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

**4. CAPITAL ASSETS**

Capital Asset activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	\$ 7,535,735	\$ 36,077	\$ -	\$ 7,571,812
Furniture and equipment	1,257,407	10,000	-	1,267,407
Autos & Buses	452,558	24,941	-	477,499
<b>Total capital assets, being depreciated</b>	<b>9,245,700</b>	<b>71,018</b>	<b>-</b>	<b>9,316,718</b>
<b>Accumulated depreciation for:</b>				
Buildings and improvements	(4,223,039)	(248,226)	-	(4,471,265)
Furniture and equipment	(717,212)	(84,951)	-	(802,163)
Autos & Buses	(287,838)	(38,170)	-	(326,008)
<b>Total accumulated depreciation</b>	<b>(5,228,089)</b>	<b>(371,347)</b>	<b>-</b>	<b>(5,599,436)</b>
<b>Total capital assets, being depreciated, net</b>	<b>4,017,611</b>	<b>(300,329)</b>	<b>-</b>	<b>3,717,282</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 4,017,611</b>	<b>\$ (300,329)</b>	<b>\$ -</b>	<b>\$ 3,717,282</b>

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

Depreciation expense was charged to functions of the District as follows:

**Governmental activities:**

Instructional services	\$ 301,362
Supporting services:	
District administration	5,951
School administration	4,946
Business	498
Operation and maintenance of facilities	16,689
Transportation	36,497
Central	-
School lunch services	5,404
Capital assets held by the District's internal service funds are charged to the various functions based on their usage of the assets	
Total depreciation expense, governmental activities	<u>\$ 371,347</u>

**5. RETIREMENT PLANS**

**Defined Benefit Plans** - The District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System (Systems), which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 5% of their annual covered salary (all or part may be paid by the employer for the employee) and Tintic School District is required to contribute 8.89% of their member's annual covered salary. In the State and School Noncontributory Retirement System the Tintic School District is required to contribute 13.38% of the member's annual covered salary. The contribution rates are the actuarial determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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The District's contributions to the State and School Contributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$8,594, \$6,958, and \$6,121, respectively. The Noncontributory Retirement System contributions for June 30, 2005, 2004 and 2003 were \$215,374, \$189,534, and \$166,668, respectively. The contributions were equal to the required contributions for each year.

**Defined Contribution Plan** – The District participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Noncontributory Retirement System have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2005, 2004, and 2003 were \$34,968, \$33,120, and \$33,923, respectively; the employee contributions for the years ending June 30, 2005, 2004, and 2003 were \$33,085, \$37,524, and \$42,047, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

**6. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined with other public entities in a common risk management and insurance program operated by the State of Utah Division of Risk Management. The District pays premiums to this risk pool, the Utah State Risk Management Fund, for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of specified amounts for certain types of risks. The District is subject to a minimal deductible for claims of the risk pool. The District has purchased commercial insurance for other risks of loss including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**7. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2005 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<b>Bonds payable:</b>					
General obligation bonds	\$ 692,000	\$ -	\$ (70,000)	\$ 622,000	\$ 68,000
Total bonds payable, net	692,000	-	(70,000)	622,000	68,000
 Obligations under capital leases	117,105		(73,205)	43,900	43,900
Accrued vacation	167,076	81,831	(13,132)	235,775	235,775
Early retirement payable	159,626	5,582	(39,990)	125,218	40,314
 Total governmental activity					
Long-term liabilities	<u>\$ 1,135,807</u>	<u>\$ 87,413</u>	<u>\$ (196,327)</u>	<u>\$ 1,026,893</u>	<u>\$ 387,989</u>

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments. The obligations under capital leases are paid by the capital projects fund. Vacation and early retirement benefits will be paid by the fund in which the employee worked.

**General Obligation Bonds** - The District issues general obligation bonds to finance the purchase of major capital items and the acquisition or construction of major capital facilities.

Outstanding general obligation bonds at June 30, 2005 are as follows:

Series 2003 Bonds - original amount \$754,000 at interest rates of 1.9% to 4.05%. The debt service requirements to maturity for the general obligation bonds are shown below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 68,000	\$ 21,981	\$ 89,981
2007	71,000	20,145	91,145
2008	75,000	17,980	92,980
2009	78,000	15,504	93,504
2010	76,000	12,774	88,774
2011-2013	254,000	20,571	274,571
Total	<u>\$ 622,000</u>	<u>\$ 108,955</u>	<u>\$ 730,955</u>

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 is \$1,015,826. General obligation debt at June 30, 2005 is \$622,000, resulting in a legal debt margin of \$393,826.

**Capital Lease Obligations** – The District has an equipment lease with remaining payments through January 2006. The lease is payable in monthly payments of \$6,344.76 including interest. The future minimum lease payments by year are as follows:

<u>Year Ended</u>	<u>Total Amount</u>
2006	\$43,900
Interest	<u>514</u>
Total	<u>\$44,414</u>

**Interest on Long-term Debt**

Interest paid on General Obligation Debt of \$28,497 was reported as a separate line on the statement of activities and not included in the functional expenses.

**8. DESIGNATED FOR UNDISTRIBUTED RESERVE**

Utah State law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the current fiscal year's total general fund budgeted revenues. Use of the reserve requires a written resolution adopted by a majority vote of the Board filed with Utah State Board of Education and State Auditor.

**9. GRANTS**

The District receives significant financial assistance from Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.



**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**10. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Utah law requires that actual expenditures shall not exceed budgeted appropriations for any fund. Actual expenditures for the student support service of the General Fund exceeded budgeted expenditures by \$2,855. The general fund budget as a whole was under spent by \$186,236.

## **SUPPLEMENTAL INFORMATION**

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

**School Lunch Fund** – This fund is used to account for the food service activities of the District as required by state and federal law. Financing is provided by local sales along with substantial subsidies from the State of Utah and the U.S. Government to help ensure that students receive low-cost nutritionally balanced meals.

**Non K-12 Programs Fund** – This fund is used to account for programs that are not part of the basic educational program of kindergarten, elementary and secondary students. These areas include: Adult education and preschool for disabled students. This fund is also used to account for costs to provide community educational and recreational activities. Financing is provided primarily by a recreation tax levy and student fees. This annual property tax levy is authorized by Utah Code 11-2-7 and does not have a maximum statutory rate. Fees charged to the user provide additional funds as necessary.

**Tintic Education Foundation** – This fund is used to account for assets controlled by an independently organized nonprofit corporation under a Utah Charter. The Foundation is overseen by a Board of Trustees: One a member of the Tintic School District Board of Education, one the superintendent of the District, and two non-voting employees of the School District. All Board of Trustees members are elected by the current members of the Board of Trustees. The Board of Trustees has exclusive care, custody and control of the Corporation's properties and exercises all of the powers granted by the laws of the State of Utah, its Articles of Incorporation, and the Bylaws.

**TINTIC SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2005

	Special Revenue			Total Nonmajor Governmental Funds
	School Lunch	Non K-12 Programs	Tintic School District Foundation	
<b>Assets:</b>				
Cash and investments	\$ -	\$ 12,891	\$ 28,233	\$ 41,124
Receivables:				
Property taxes	-	467	-	467
Other governments		3,378	-	3,378
Inventory	5,216			5,216
Due from other funds				-
<b>Total assets</b>	<b>\$ 5,216</b>	<b>\$ 16,736</b>	<b>\$ 28,233</b>	<b>\$ 50,185</b>
<b>Liabilities:</b>				
Accounts payable	\$ 2,544	\$ -	\$ -	\$ 2,544
Deferred revenue:				
Property taxes	-	448	-	448
Other governments -USDA Commodities	2,502		-	2,502
Due to other funds	38,768		-	38,768
<b>Total liabilities</b>	<b>43,814</b>	<b>448</b>	<b>-</b>	<b>44,262</b>
<b>Fund balances:</b>				
Unreserved:				
Designated for schools	2,713		28,233	30,946
Undesignated	(41,311)	16,288		(25,023)
<b>Total fund balances</b>	<b>(38,598)</b>	<b>16,288</b>	<b>28,233</b>	<b>5,923</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,216</b>	<b>\$ 16,736</b>	<b>\$ 28,233</b>	<b>\$ 50,185</b>

**TINTIC SCHOOL DISTRICT**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2005

	<u>Special Revenue</u>			<b>Total</b>
	<b>School Lunch</b>	<b>Non K-12 Programs</b>	<b>Tintic Educational Foundation</b>	<b>Nonmajor Governmental Funds</b>
<b>Revenues:</b>				
Student fees	\$ -	\$ 2,632	\$ -	\$ 2,632
Lunch sales	8,970	-	-	8,970
Earnings on investments	-	-	635	635
Other local revenues	-	469	-	469
State aid	6,012	22,488	-	28,500
Federal aid	64,730	3,378	-	68,108
Total revenues	<u>79,712</u>	<u>28,967</u>	<u>635</u>	<u>109,314</u>
<b>Expenditures:</b>				
Current:				
Instructional services	-	59,412	-	59,412
School lunch services	120,488	-	-	120,488
Total expenditures	<u>120,488</u>	<u>59,412</u>	<u>-</u>	<u>179,900</u>
Excess of revenues over expenditures	<u>(40,776)</u>	<u>(30,445)</u>	<u>635</u>	<u>(70,586)</u>
Net change in fund balances	(40,776)	(30,445)	635	(70,586)
Fund balances - beginning	<u>2,178</u>	<u>46,733</u>	<u>27,598</u>	<u>76,509</u>
Fund balances - ending	<u>\$ (38,598)</u>	<u>\$ 16,288</u>	<u>\$ 28,233</u>	<u>\$ 5,923</u>

# TINTIC SCHOOL DISTRICT

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### *School Lunch*

#### Nonmajor Special Revenue Fund

Year Ended June 30, 2005

	2005		Variance with
	Final Budgeted Amounts	Actual Amounts	Final Budget - Positive (Negative)
<b>Revenues:</b>			
Local sources:			
Lunch sales - children	\$ 6,851	\$ 7,378	\$ 527
Lunch Sales - adult	2,100	1,592	(508)
Other local sales		-	-
Total local sources	8,951	8,970	19
State sources:			
State lunch program	7,009	6,012	(997)
Total state sources	7,009	6,012	(997)
Federal sources:			
Federal lunch program	6,304	6,237	(67)
Free and reduced assistance	44,822	44,318	(504)
Breakfast program	14,476	14,175	(301)
Other	5,301	-	(5,301)
Total federal sources	70,903	64,730	(6,173)
Total revenues	86,863	79,712	(7,151)
<b>Expenditures:</b>			
Current:			
Salaries	42,900	42,869	31
Employee benefits	21,900	21,501	399
Purchased services	850	829	21
Food	52,500	54,403	(1,903)
Equipment	900	879	21
Other	10	7	3
Total expenditures	119,060	120,488	(1,428)
Net change in fund balances	(32,197)	(40,776)	(8,579)
Fund balances - beginning	2,178	2,178	-
Fund balances - ending	\$ (30,019)	\$ (38,598)	\$ (8,579)

**TINTIC SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Non K-12 Programs**  
**Nonmajor Special Revenue Fund**  
**Year Ended June 30, 2005**

	2005		Variance with
	Final Budgeted Amounts	Actual Amounts	Final Budget - Positive (Negative)
<b>Revenues:</b>			
Local sources:			
Community school fees	\$ 2,632	\$ 2,632	\$ -
Miscellaneous revenues	337	469	132
Total local sources	2,969	3,101	132
State sources:			
Adult high school completion	22,488	22,488	-
Preschool	-	-	-
Total state sources	22,488	22,488	-
Federal sources:			
Special education preschool grant	3,413	3,378	(35)
Total revenues	28,870	28,967	97
<b>Expenditures:</b>			
Current:			
Salaries	42,750	42,667	83
Employee benefits	8,800	8,010	790
Purchased services	1,500	1,282	218
Supplies	3,000	2,700	300
Other	5,250	4,753	497
Total expenditures	61,300	59,412	1,888
Excess (deficiency) of revenues over (under) expenditures	(32,430)	(30,445)	1,985
<b>Fund balances - beginning</b>	<b>46,733</b>	<b>46,733</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 14,303</b>	<b>\$ 16,288</b>	<b>\$ 1,985</b>

**TINTIC SCHOOL DISTRICT**  
**Comparative Statements of Revenues, Expenditures and Changes in Fund Balances**  
*Tintic Education Foundation*  
**Nonmajor Special Revenue Fund**  
Year Ended June 30, 2005

---

	<u>2005</u>
<b>Revenues:</b>	
Local sources:	
Earnings on investments	\$ 635
Total revenues	<u>635</u>
<b>Expenditures:</b>	
Current:	
Scholarships	
Total expenditures	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	635
<b>Other financing sources (uses):</b>	
Net change in fund balances	<u>635</u>
<b>Fund balances - beginning</b>	<u>27,598</u>
<b>Fund balances - ending</b>	<u><u>\$ 28,233</u></u>



## **Major Governmental Funds**

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest. Financing is provided by an annual property tax levy not to exceed .0024 plus an additional levy in an amount not to exceed 10 of the cost of the basic program as authorized by Utah Code 53A-16-104 and 53A-17a-145.

**Capital Projects Fund** – The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. Financing is provided by an annual property tax levy not to exceed .0024 plus an additional levy in an amount not to exceed 10% of the cost of the basic program as authorized by Utah Code 53A-16-104 and 53A-17a-145. Also, state funds can be obtained by qualifying under guidelines established for districts determined to be in critical need for construction building aid.

**TINTIC SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Major Debt Service Fund**  
**Year Ended June 30, 2005**

	2005		Variance with
	Final Budgeted Amounts	Actual Amounts	Final Budget - Positive (Negative)
<b>Revenues:</b>			
Property tax	\$ 93,591	\$ 127,797	\$ 34,206
Total revenues	93,591	127,797	34,206
<b>Expenditures:</b>			
Debt service:			
Bond principal	70,000	70,000	-
Bond interest	23,591	23,591	-
Paying agent fees	450	447	3
Total expenditures	94,041	94,038	3
Excess (deficiency) of revenues over (under) expenditures	(450)	33,759	34,209
Net change in fund balances	(450)	33,759	34,209
Fund balance - beginning	-	77,611	77,611
Fund balance - ending	\$ (450)	\$ 111,370	\$ 111,820

**TINTIC SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Major Capital Projects Fund**  
**Year Ended June 30, 2005**

	<b>2005</b>		<b>Variance with</b>
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>			
Local sources:			
Property taxes	\$ 15,570	\$ 21,260	\$ 5,690
Other	-	-	-
Total local sources	15,570	21,260	5,690
State sources:			
Other	72,651	72,651	-
Total state sources	72,651	72,651	-
Total revenues	88,221	93,911	5,690
<b>Expenditures:</b>			
Facilities:			
Construction and remodeling	46,875	46,465	410
Equipment:			
Lease principal	73,205	73,205	-
Lease interest	2,932	2,932	-
Other	2,863	2,797	66
Total equipment	79,000	78,934	66
Total expenditures	125,875	125,399	476
Excess (deficiency) of revenues over (under) expenditures	(37,654)	(31,488)	6,166
Net change in fund balances	(37,654)	(31,488)	6,166
<b>Fund balance - beginning</b>	235,253	242,725	7,472
<b>Fund balance - ending</b>	<u>\$ 197,599</u>	<u>\$ 211,237</u>	<u>\$ 13,638</u>

## **Fiduciary Funds**

Student Activities Agency Fund – This fund is used to account for the funds generated by student groups within the District engaged in activities associated with student life. The District has a fiduciary responsibility concerning these funds to ensure their safety and accountability.

**TINTIC SCHOOL DISTRICT**  
**Statement of Changes in Assets and Liabilities**  
**Student Activities Agency Fund**  
**Year Ended June 30, 2005**

	<b>Net Assets at July 1, 2004</b>	<b>Additions</b>	<b>Deductions</b>	<b>Net Assets at June 30, 2005</b>
<b>Assets:</b>				
Cash and investments	\$ 76,951	\$ 154,825	\$ 159,625	\$ 72,151
<b>Liabilities:</b>				
Due to student organizations:				
<b>Elementary Schools:</b>				
Eureka	\$ 29,575	\$ 30,858	\$ 38,237	\$ 22,196
West Desert	18,140	4,406	7,581	14,965
Callao	3,684	5,013	5,854	2,843
Total elementary schools	51,399	40,277	51,672	40,004
<b>High Schools:</b>				
Tintic High	18,975	80,192	75,909	23,258
West Desert High	6,577	34,356	32,044	8,889
Total high schools and special purpose programs	25,552	114,548	107,953	32,147
Total due to student organizations	\$ 76,951	\$ 154,825	\$ 159,625	\$ 72,151

## **OTHER REPORTS**

**GILBERT & STEWART**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
A PROFESSIONAL CORPORATION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Tintic School District  
Eureka, UT

November 15, 2005

We have audited the financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of Tintic School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tintic School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tintic School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Tintic School District in a separate letter dated November 15, 2005.

This report is intended solely for the information and use of management, Utah State Auditor and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Gilbert & Stewart*

GILBERT & STEWART  
*Certified Public Accountants*



# **GILBERT & STEWART**

**CERTIFIED PUBLIC ACCOUNTANTS**  
A PROFESSIONAL CORPORATION

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## **INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS**

**Board of Education  
Tintic School District  
Eureka, UT**

**November 15, 2005**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the remaining fund information of Tintic School District for the year ended June 30, 2005, and have issued our report thereon dated November 15, 2005. As part of our audit, we have audited Tintic School District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The District received the following major state assistance programs from the State of Utah:

### **Minimum School Programs (State Office of Education)**

The District also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, this program was subject to test work as part of the audit of the Tintic School District's financial statements.)

**School Lunch Program (State Office of Education)  
Drivers Education (State Office of Education)  
Substance Abuse (State Office of Education)**

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

**Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Other Compliance Requirements**

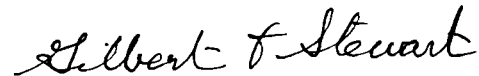
The management of Tintic School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Tintic School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2005.

This report is intended solely for the information and use of management, Utah State Auditor, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART  
*Certified Public Accountants*

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November 15, 2005

Board of Education  
Tintic School District  
Eureka City, UT

We have audited the financial statements of Tintic School District for the year ended June 30, 2005 and have issued our report thereon dated November 15, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated September 19, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Tintic School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Tintic School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

This letter is issued as required by Statement on Auditing Standards No. 61, "Communications with audit committees", which requires auditors to determine that certain matters related to the conduct of an audit are communicated to those who have responsibility for the oversight of the financial reporting process.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the

appropriateness of accounting policies and their application. The significant accounting policies used by Tintic School District are described in Note 1 to the financial statements. No new accounting policies or procedures were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Tintic School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

#### Significant Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Tintic School District's financial reporting process. In our judgment, none of the adjustments we proposed whether recorded or unrecorded by the District, either individually or in the aggregate, indicate matters that could have a significant effect on the District's financial reporting process.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors.

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

The following matters are items noticed during our audit which related to Utah State compliance issues:

#### **Utah State Legal Compliance Findings - Current Year:**

##### 05-1 Budgetary Compliance

**Finding:** The Student Department of the General Fund exceeded its adopted budget by \$2,855, although the General Fund overall was within its adopted budget.

**Recommendation:** We recommend the District increase future budgeted expenditures in this area.

**District's Response:** We concur with the auditor's recommendation.

##### 05-2 Financial Reporting

**Finding:** Audited financial statements are required to be submitted to the State Auditor's Office by December 31, of each year. The District's audited financial statements were submitted after the required deadline. Also we noted other required reports were not filed by their respective deadlines.

**Recommendation:** We recommend that the District report in a timely manner the required information to the various agencies.

**City's Response:** We concur with the auditors recommendation.

#### **Utah State Legal Compliance Findings - Prior Year:**

##### 04-1 General Compliance - Budgetary Compliance


**Finding:** The Maintenance and Operation Department of the General Fund exceeded its adopted budget by \$6,440, although the General Fund overall was within its adopted budget.

**Current Status:** See current year finding 05-1

We wish to express our appreciation to the city personnel for the friendly and enthusiastic help extended to us during the course of our examination.

This information is intended solely for the use of the City Council and Management and should not be used for any other purpose. If you have any questions concerning the above items, we will be happy to discuss them with you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gilbert & Stewart".

GILBERT & STEWART  
Certified Public Accountants